

GUIDING PRINCIPLES

This roadmap is built on a fundamental conviction that America's greatest strengths lie in *Americans themselves* – in their creativity, their productive capacities, and their personal initiative. One clear expression of these strengths is a diverse, resilient, and growing economy. Economic growth is the source of all the material benefits, and enhancements in the quality of life, that Americans enjoy. It also provides the expanding opportunities necessary for individual progress, and for individuals' confidence and trust in the society to which they belong. As Novak has written: "Democratic polities depend upon the reality of economic growth. . . . [L]egitimacy flows from the belief of all individuals that they can better their condition. This belief can be realized only under conditions of economic growth. Liberty requires expanse and openness." (Michael J. Novak Jr., *The Spirit of Democratic Capitalism*, 1982)

Therefore this plan, to the greatest extent possible, builds on the initiative of individual Americans, exercised responsibly in a free economy and a democratic political system. Strengthening the role of the individual is the key to invigorating the society, and the economy, at large. It also will keep alive the American legacy of leaving the next generation better off.

At the same time, the plan keeps faith with Americans' compassion toward those who are less well off. It strengthens the safety net, and makes it sustainable for the long term – which cannot be done under current policies.

With these values in mind, the plan is built on four guiding principles:

Comprehensiveness. As is clear from the previous section, America's major domestic challenges are interrelated. Successfully addressing them requires a *comprehensive* approach – one that energizes the productive capacities of Americans, to generate sustained economic growth. It also demands restraining the increases in government spending, which otherwise, through taxes or borrowing, will absorb resources that contribute to growth. Therefore, this proposal addresses all four domestic priorities in a broad, integrated approach. It corrects distortions in the health care market while strengthening the safety net for those who need it. It restructures the Federal health entitlements and retirement security to make them sustainable, while assuring they do not smother the prosperity of future generations. It also reforms the Federal tax code to make it more competitive in the 21st century economy.

As a matter of practical application, the components of this plan could be enacted in several steps, and some are even designed with deliberate transitional stages. The ultimate aim, however, is to reach a point at which the entire package is in place as *an integrated whole*.

Ownership. From an economic standpoint, it is private ownership, along with property rights, that make free markets possible (i.e. they form the institutional basis for free

exchange). Basically, with personal ownership, people maximize their free will and creativity to improve their conditions (ownership of a home is a classic example). This activity, above all, generates dynamic economic growth and prosperity.

But ownership is more than an economic matter. The concept is fundamental to social organization. As Hayek put it:

Property, in the wide sense in which it is used to include not only material things, but (as John Locke defined it) the “life, liberty and estates” of every individual, is the only solution men have yet discovered to the problem of reconciling individual freedom with the absence of conflict. Law, liberty, and property are an inseparable trinity. There can be no law in the sense of universal rules of conduct which does not determine boundaries of the domains of freedom by laying down rules that enable each to ascertain where he is free to act. (Friedrich A. Hayek, *Law, Legislation, and Liberty*, Vol 1, 1973)

From a moral standpoint, ownership promotes personal responsibility. When a person owns something – such as a home – he or she gains the pride and energy to care for it, nurture it, improve it. Such individuals become stakeholders in a society in which ownership is more decentralized and less concentrated. The obvious benefit is a nation in which more and more people become active participants in preserving the hope and promise available for so many.

The increased participation in the stock market over the past 25 years is another tangible example of the link between ownership and prosperity. The stock market is one of the key avenues to prosperity in this country because the U.S. has essentially democratized and institutionalized ownership stakes in businesses.

For all these reasons, it only makes sense that America’s most important priorities, such as health and retirement security, should benefit from this same system of personal ownership, to the greatest extent possible. In addition, the proposal recognizes that taxpayers’ income belongs to them, not the government. It is based on the principle that the government is the beneficiary of the taxpayer, not the other way around; and therefore the government should keep taxes low, and make it easy for taxpayers to determine and pay their taxes.

Security. While the plan reflects an abiding confidence in free markets, individual initiative, and personal responsibility, it recognizes that some individuals face chronic or temporary problems or limitations, and need additional help. Americans have long embraced this view – and so does this proposal.

The plan repairs gaps in America’s social safety net and places these policies on a path of fiscal sustainability. For example, this plan seeks to ensure people do not face personal bankruptcy due to chronic illness. It enhances the Social Security safety net to provide that no one falls beneath the poverty level in retirement.

In fact, one of the plan’s most important achievements is making the policies of health and retirement security fiscally sustainable for the long term. Because of this, current and

future generations can be given the full opportunity and potential to prosper during their working lives, and dignity in retirement. The plan also embraces Americans' compassion for those in need.

What this strategy avoids, however, is the notion that the only solution is a centralized government that monopolizes these efforts. Government does have a role. But this plan first mobilizes the vital economic resources that have always generated prosperity in America, expanding them as widely as possible – including to those who would otherwise become dependent on public funds. The plan also employs the ingenuity and diversity of State governments, which are closer to the particular needs and characteristics of their populations, and therefore more responsive to them.

Competitiveness. America's prosperity will not be maintained in a vacuum. The international marketplace is a permanent reality of the 21st century, and America must successfully compete to continue its own economic growth; and this, too, depends on building on the individual's central role in American society. As Thomas L. Friedman of *The New York Times* has written:

If this moment has any parallel in American history, it is the height of the Cold War, around 1957, when the Soviet Union leaped ahead of America in the space race by putting up the Sputnik satellite. Yes, there are many differences between that age and our own. The main challenge then came from those who wanted to put up walls; the main challenge to America today comes from the fact that all the walls are being taken down, and other countries can now compete with us much more directly. The main challenge in that world was from those practicing extreme communism – namely, Russia, China, and North Korea. The main challenge to America today is from those practicing extreme capitalism – namely, China, India, and South Korea. The main objective in that era was building a strong state; the main objective in this era is building strong individuals. (Friedman, *The World is Flat: A Brief History of the Twenty-First Century*, 2005)

Moderating the rise in health care spending without rationing services, restraining the growth of government, and expanding ownership in America's free enterprise system are essential to America's ability to compete. It is also necessary to reform the Federal tax code to boost incentives for growth and productivity.

Each of these reforms, based on these guiding principles, is designed to reclaim this American spirit. *A Roadmap For America's Future* is therefore a plan to solve America's fiscal and economic dilemma, building strong individuals throughout the 21st century.